

## **PERFORMANCE ISSUES ALONG THE SIX ELEMENTS OF HOLCIM SOLUSI RUMAH'S MARKETING MIX AND SOLUTION RECOMMENDATIONS**

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**Abstract**—*This study aims at identifying key issues in SR franchise business along the six elements of marketing mix: people, partner, place, product, promotion, and price, and then propose solution recommendations for the identified issues. Data is collected through a method of in-depth interviews with key SR stakeholders, internally and externally, namely end customers, SR personnels, and SR franchisees. Issues identified are mapped into a Problem Tree Analysis diagram to determine causal relations among the scattered issues that lead to a general core problem and their impacts. Solutions to the mapped issues are then formulated using an Objective Tree in order for recommended actions to be given.*

*Keywords: marketing mix, problem tree, problem tree, solution tree*

### **1. Introduction**

#### **1.a. Profile of Holcim Indonesia**

Coming only third in production capacity with significant volume distance from the top two local players, Holcim needs to differentiate its product in order to be visible and appealing to end customers. It therefore opted to be ahead of the game through brand differentiation by launching Solusi Rumah in September 2006, a new business model that acts as Holcim's own channel to reach end customers and control its brand presence. Solusi Rumah, to serve two main purposes: to secure exclusive channels for Holcim cement and aggregates sales, and to increase the market share of those two core products.

#### **1.b. Description of Solusi Rumah**

SR is a new business model of one-stop-solution outlets for end customers (homeowners) to get their housing construction and renovation needs fulfilled in an integrated service, from consultancy, design and cost calculation, quality materials, mediation for credit financing, and efficient construction process. SR is grown through the mechanism of franchise.

SR Segmenting, Targetting and Positioning strategy is depicted by tables 1.2. and 1.3.

To grow, Solusi Rumah sells its franchise in two models, namely:

#### **a. Model 1: Concrete Product Manufacturer (CPM)**

SR CPM can serve walk-in customers and also has the facility to produce its own pre-cast building materials and SR software. A CPM therefore is required to support SR retail franchises with construction designs and cost calculation service. One CPM can support a number of SR retailers in its radius.

#### **b. Model 2: Retailer**

A Retailer only has the frontline outlet to serve and market SR construction concepts, without concrete production capacity. An SR retailer needs CPM support with supply of pre-cast products, and business advisors' service of creating designs and cost (RAB) calculation.

## 2. Business Issue Exploration

### 2.a. Conceptual Framework

Today, SR is facing a common issue of low sales performance in majority of its franchisees, signaling a need for improvement for sustainability. Data from 2012 indicates issues.

1. Stagnant SR cement sales contribution in 2012 despite increase in number of outlets from 2011 to 2012;
2. Slowing down franchise acquisition in 2012;
3. Low 'Quality Control Assurance' passing score achievement by Solusi Rumah franchisees
4. Post purchase survey of end customers reveal much feedback for improvement;
5. CPM acquisition increase is slower than retailer increase, causing weak CPM support to retailer.

Based on Solusi Rumah's current condition, the following research questions are posed to be answered by this final project:

1. Are there any issues of Solusi Rumah's performance across the six elements of its marketing mix (people, product, partner, promotion, price, place)?
2. What are the recommended solutions to improve SR performance across the six marketing mix elements?

Promoted with tagline: "*Datang bawa mimpi, pulang bawa solusi*" (Come with a dream, go home with a solution), Solusi Rumah proposes four main values to its end customers, the homeowners, namely:

- One-stop shop concept, giving additional service of expert consultancy, free design, cost calculation, and mediation with bank for financing.
- Quality Construction Material from SR unique precast products for stronger, more earth-quake resistant, and more environmentally friendly construction system.
- Effective and efficient construction process and cost.
- Easy access to financing from SR cooperation with partner banks, and free Zurich insurance for the construction.

### 2.b. Method of Data Collection & Analysis

This research will identify SR issues across the 6 Ps of marketing mix that Solusi Rumah is facing in running and developing its business based on feedback on how the market responses from people involved in it. In analyzing the issues, Problem Tree and Objective Tree models are used as scientific frameworks. Solution recommendations will then be given.

Table 1.3: Solusi Rumah Positioning Strategy


Current housing players	Business Opportunity in Housing Construction				
	Freedom to select location	Access to financing	House design	Building materials	Construction work
Masons					✓
Buildin material shop	✓			✓	
Contractor	✓		✓	✓	✓
Consultant	✓		✓		
Developer		✓	✓	✓	✓
 Solusi Rumah	✓	✓	✓	✓	✓

Table 1.3: Target Market Segment of Solusi Rumah

Segment variable	Target Segment 1 (Jakarta and its suburban areas)	Target Segment 2 (Outside Jakarta)
Geographic	Suburban areas	Rural areas
Demographic 1: age range, Income range	Breadwinner between 30–45 years old, SES C Category (2 – 4 mio IDR/ month)	Breadwinner between 30–45 years old, SES C Category (2 – 4 mio IDR/ month)
Demographic 2: Household characteristics	One or both parents still in productive age, up to four children of school ages.	One or both parents still in productive age, up to four children of school ages.
Demographic 3: Household income	One or both spouse working (as employees)	One breadwinner (employee, farmer)
Demographic 4: Financing need	Need bank credit financing. Don't have any prepared saving.	Don't need bank credit financing. Finance it with prepared saving.
Demographic 5: Affordability	Afford to finance construction chunk by chunk, thus to build bit by bit (rumah tumbuh) to adjust to financial ability or with bank loan.	Afford to finance construction chunk by chunk, thus to build bit by bit (rumah tumbuh) to adjust to financial ability.
Demographic 6: Construction Know How	Don't have adequate know-how on constructions. Rely on masons. Appreciates one-stop shopping for construction needs.	Don't have adequate know-how on constructions. Rely on masons. Appreciates one-stop shopping for construction needs.
Behavior 1: Building behavior	Usually refer to how houses are built in their surroundings, but are quite open for new ideas (architecture, materials. Etc).	Usually refer to how houses are built in their surroundings, but are quite open to new ideas (architecture, materials. Etc).
Behavior 2: Attitude toward quality vs price	Would likely go for price by compromising quality.	Would likely go for price by compromising quality.
Behavior 3: Loyalty to cement brand	So far is based on nasionalistic sentiment, not on real product quality, but are quite open to change.	So far is based on nasionalistic sentiment, not on real product quality, but are quite open to change.

This research will generate its primary data from in-depth, semi-structured interviews to Solusi Rumah internal as well as external stakeholders, and the secondary data from documents such as articles, bulletins, reports, etc.

**2.c. Analysis of Business Situation: Identified issues along Solusi Rumah’s marketing mix elements**

Identified issues of SR’s performance that are mapped into the Problem Tree are:

1. Unstandardized service quality across different SR personnels and staff.

2. Product and service are not attractive and of varied quality.
3. Varied franchise ability to actively get the business running and not yet reliable support system and elements (cement supply from distributor, product supply from CPM, knowledge support from business advisors, contractor expertise and availability) to SR Retailers.
4. Promotion message and brand strategy do not strongly show values that appeal the most to target market.
5. SR's pricing strategy fails to show its competitiveness to traditional products. This creates the image that SR is premium and thus of more expensive price, such as with its higher per-unit price of precast products offered to replace traditional red bricks and other structure materials.
6. Support system and elements (from CPMs, Distributors, Business Advisors, Contractor) to SR franchise are not yet well distributed to locations accessible by franchises.

The Problem Tree is shown in Figure 1.1.

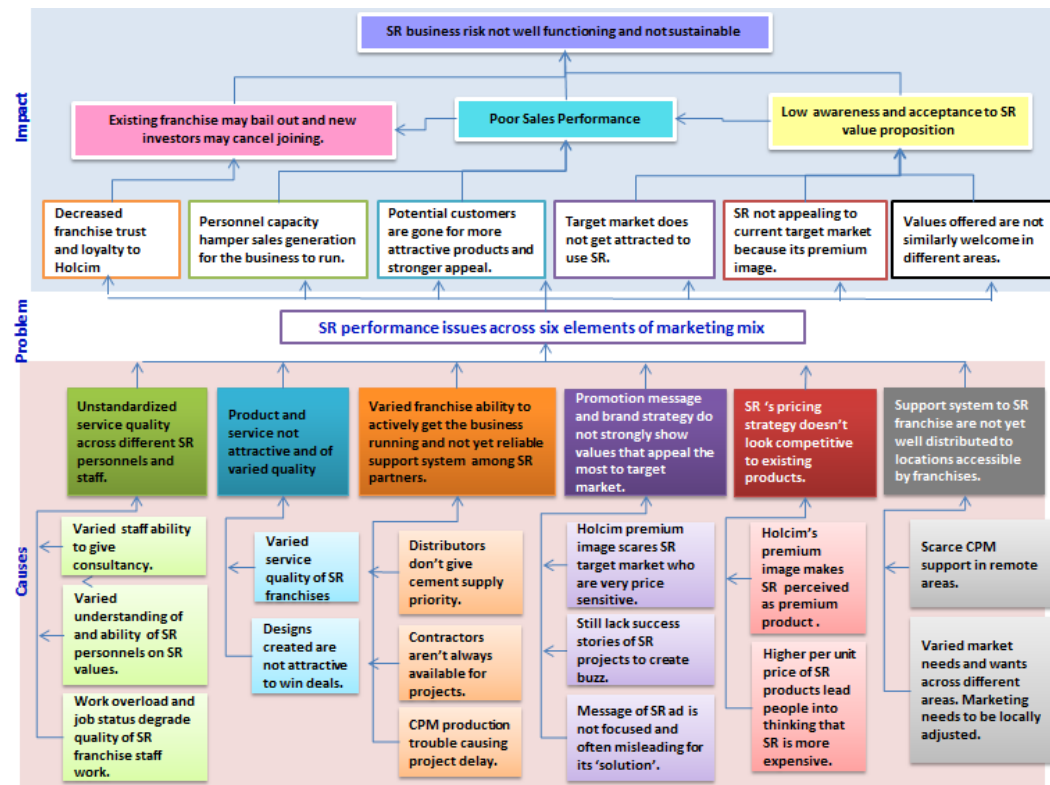


Figure 1.1. Solusi Rumah Problem Tree (Problem – Impact)

### 3. Business Solution

After all the problems are mapped and summarized into the Problem Tree, solutions are then determined by stating the desired improved conditions away from those problems through an Objective Tree as shown in Figure 1.2.

The Solution Tree shows that Solusi Rumah will improve its performance when the following conditions are realized/ implemented:

1. Standardized service quality across different SR personnels and staff;
2. Products and services are attractive and of standardized quality;
3. Similarly good franchise ability to actively get the business running; reliable support system among SR partners;
4. Promotion message and brand strategy strongly show values that appeal the most to target market;
5. SR's pricing strategy look competitive to existing products;

- Support system to SR franchise are well distributed to locations accessible by franchises.

#### 4. Conclusion and Implementation Plan

The research has identified issues in all the six elements of Solusi Rumah’s marketing mix, namely people, product, partner, promotion, price, and place. Solution recommendations are given to issues in each element. Implementation of the suggested solutions is enlisted in table 1.4.

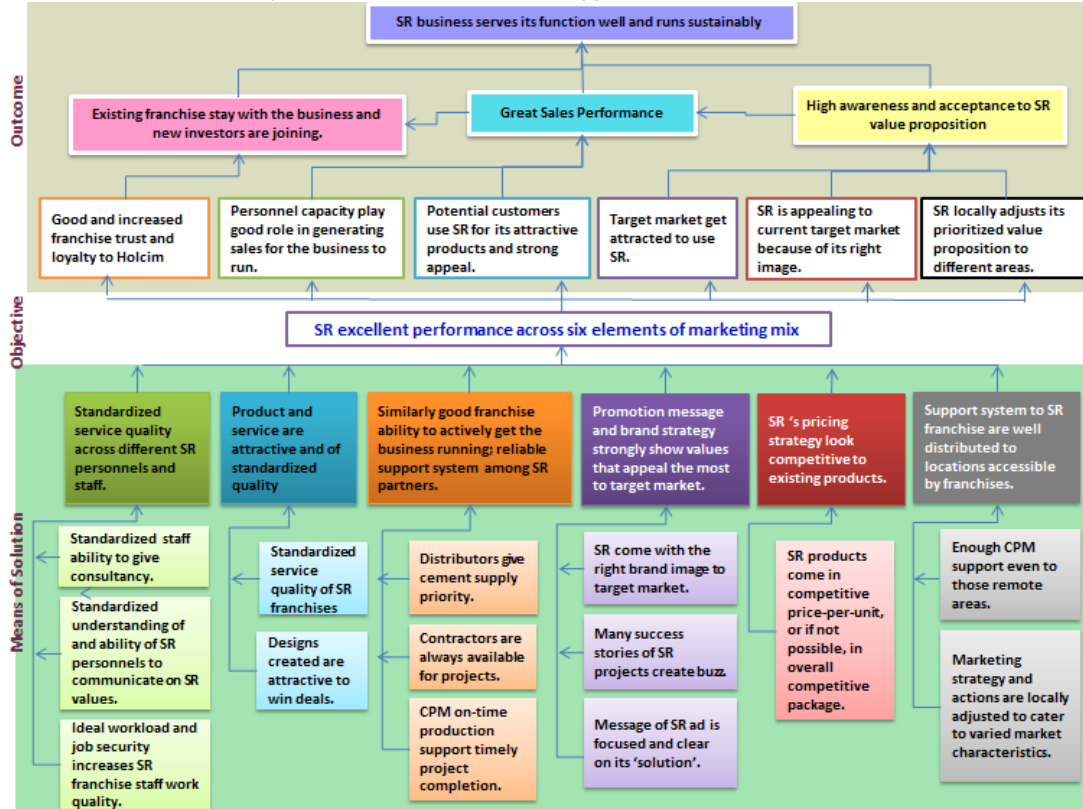


Figure 1.2. Solusi Rumah Objective Tree (Solution – Outcome)

Table 1.4. Implementation Plan

Desired Improvement	Improvement Actions	Timeline
On People Standardized service quality across different SR personnels and staff.	<ul style="list-style-type: none"> <li>Periodic coaching, best-practice sharing, on-line learning media</li> <li>Worker-Workload balance coaching</li> </ul>	<ul style="list-style-type: none"> <li>April 2013 – onwards (contibuously)</li> <li>May – June 2013</li> </ul>
On Product Products and services are attractive and of standardized quality.	<ul style="list-style-type: none"> <li>SR Open House</li> <li>SR creative designs creation and competition</li> </ul>	<ul style="list-style-type: none"> <li>April 2013</li> <li>June 2013</li> </ul>
Similarly good franchise ability to actively get the business running; reliable support system among SR partners.	<ul style="list-style-type: none"> <li>BA’s and TSO’s coordination to ensure cement supply priority</li> <li>Encourage appetite for small projects</li> <li>Educate franchise to run own contractor business</li> </ul>	<ul style="list-style-type: none"> <li>April 2013</li> <li>April 2013</li> <li>July 2013</li> </ul>
On Promotion	<ul style="list-style-type: none"> <li>Bataton quality demo</li> </ul>	<ul style="list-style-type: none"> <li>July 2013</li> </ul>

Promotion message and brand strategy strongly show values that appeal the most to target market.	(more quality highlight) <ul style="list-style-type: none"> <li>WOM: SR house owner community; Open House</li> <li>Improved website interactivity</li> </ul>	<ul style="list-style-type: none"> <li>August 2013</li> <li>May 2013</li> </ul>
On Price SR's pricing strategy look competitive to existing products.	<ul style="list-style-type: none"> <li>Launch package pricing initiative to show overall efficiency in SR construction</li> </ul>	<ul style="list-style-type: none"> <li>September 2013</li> </ul>
On Place Support system to SR franchise are well distributed to locations accessible by franchises.	<ul style="list-style-type: none"> <li>Contractor panel for project execution</li> <li>Contractor mobile consultancy support</li> <li>Satellite warehouse for retailers</li> </ul>	<ul style="list-style-type: none"> <li>June 2013</li> <li>July 2013</li> <li>October 2013</li> </ul>

## II. APPENDIX

### Interview Quotes

1. "If Holcim is premium, for whom? The middle income? That may make sense. But if premium for the lower income, that doesn't make sense because the lower income doesn't have money." – Alex Buechi, Sustainable Construction Manager
2. "So far people perceive our brand as premium. While our target market for SR is SES (strata ekonomi sosial) B and C. because of our premium perception, many of our customers from SES B and C are afraid of even entering SR outlets. The attracted ones, and with whom many deals made are from SES A and B instead." -- Andri Satria, SR Solution Specialist
3. "I think SR wants to serve everyone in one place. What segment do we want to focus? Middle-low or middle-up? Its value proposition is not yet focused. Which customers do we want to target?" – Eben Tambunan, SR Franchise Development Specialist
4. "In their buying decision, customers often still choose the conventional red brick and batako that are perceived to be cheaper from the lower per unit price, even though they are aware that Bataton is better in terms of quality. .. when SR comes with contractor fee, many find it as a burden." – Prapto N. C., Business Advisor
5. "Incoming potential customers of SR on average are in middle and low segment. They usually stop after they get the cost calculation result (RAB). That's the first challenge." – Yulifia R.
6. "Many people come for consultancy and the free design, and never came back. They seem to only look for comparisons. It's difficult for many people to get credit. Often times issues with their land ownership status make them ineligible for bank financing." – Valeria F.
7. "The features of higher resistance to earthquake also do not seem to be what they prioritize." -- Suparno, Field Supervisor, SR Franchise CPM.
8. "Many retailers still have issues in procedure (SOPP) implementation. This means still many give unstandardized service, especially earlier joiners. Because when they joined, SR concept was still in its initial form." – Prapto N.C., Business Advisor
9. "...Since SR is a new business for Holcim, it may not even know that SR requires, first, is consultant." – Andreas, Contractor
10. "Owners often cannot serve SR customers well when he/she has many other activities to do. Out of the total existing SR retailers in my area, only around 20% already have capacity (staff, time, job division)." – Prapto N. C.
11. "...Can Holcim create a cheaper wall Bataton and flat roof tile?" – Heru, SR franchise retail owner
12. "First, (customers appreciate) SR's consultancy in design and cost calculation. Second, material quality. Third, fast construction duration." – Iwan, Field Supervisor, SR Franchise Retail
13. "One of them has passed bank process for credit financing application. We are now waiting for Mba Hera (Narogong SR CPM service provider) to follow up. She usually responds fast. But

- because SR just had a four-day exhibition (at JHCC), the follow-ups need to wait until the event is finished and Hera can get back to work. After the event, she is now still on leave.”—Hj. Sarah, SR Franchise retailer owner
14. “It is extremely difficult to standardize the knowlege since frontliners are not Holcim (direct) staff. The challenge is how we educate who are out there and run the shops. ” – Alex Buechi
  15. “They (SR personnels) should improve their business knowledge. Right now there’s no standard training or capacity development that’s focused for those people to build their business knowledge.” – Eben T.
  16. “I agree that Bataton sales turnover is low. This is due to poor knowledge of SR outlet sales staff in explaining Bataton’s advantages” – Yulifia R.
  17. “When SR franchise staff don’t really know about SR package advantage, they thought that Bataton is just the super version of Batako...(they forget) How it was initiated as earthquake-resistant technology; that it also has heat and insulation-related features; how it has a high degree of strength, so it can function like a pillar, making a strong wall; producing high pressure quality. That’s what makes a house strong and earthquake-resistant. that’s the kind of knowledge that SR franchisees are never equipped with. They tought Bataton is just another Batako Super with some higher strength which costs higher.” – Andreas, contractor
  18. “We need more key personnels here to run day-to-day business in a more ideal condition. Now, the same person draws designs requested and serves incoming customers. Based on MoU, she has to finish creating designs within 2 hours. That’s a lot of pressure when the workload is overwhelming. Maybe it’s the workload that makes personnel turnover high. Our last SR manager was here for less than a year. He moved out to find permanent employment. .. We need job security.” – Valeria F.
  19. “Background experience as contractor may help. Because from my experience in Narogong, CPM sales are not generated by SR retail outlets surrounding it, but instead from contractors who win projects.” – Andreas
  20. (Which phase is the most challenging for SR transformation?) “That would be the training process in which we educate franchise owners and their employees’ new system and technology in order to modernize their currently traditional daily business administration, such as introducing computerized billing system, because this also requires change in mindset. Many of them don’t use computers.” – Andry Satria, SR Franchise Staff
  21. “We still don’t have a clear pattern of what kind of investors we can and want to attract to join SR. We didn’t start with clear blueprint of our investor’s STP (segmenting, targeting, and positioning). We are fixing in the air.” – Eben T.
  22. “We have no system yet to map our SR partners’ loyalty levels. At least now we’ve identified those with issues into Brooding pool. Next question is: what treatment should we give them to improve them? 30% of our 367 retailers are in brooding pool.” – Eben Tambunan
  23. “..usually only the headquarters of our partner banks know about our SR partnership. Their branches are not yet well-informed about our partnership. Consequently, credit application submitted to a certain partner’s bank branch took longer.” – Prapto N. C.
  24. “..in terms of marketing, Holcim needs to support its partners with below-the-line campaigns such as mall-to-mall activities to help raise awareness to SR and therefore increase the number of walk-in customers to outlet. SR franchisees don’t have time and capability to educate the society. They need our support to build that awareness.” – Prapto N. C.
  25. “SR’s sales contribution target in 2012 is 15%. Its actual performance is only 8%. To solve this, we need improved commitment from distributors.” – Andri Satria
  26. “During last year’s cement crunch period, they didn’t get the promised cement supply priority. This disappointed them.” – Isye S.
  27. “Since cement supply certainty is one of the chief reasons that attract investors to SR, we need to ensure that happens. Distributors haven’t done their best to guarantee supply priority to SR retailers, particularly during cement supply crunch.” – Prapto N. C.
  28. “The second challenge is cement supply delivery from distributor. Cement delivery can be stopped by distributor when the SR retailer doesn’t pay within the agreed term, while the retailer rely its cement supply solely on Holcim as they sell only Holcim exclusively. This happened in one

of the retailers. When Holcim supply was stopped, it got its supply from competitor, even though it is a Solusi Rumah franchise.” – Yulifia R.

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